

Appendix A

2025/26 Budget Overview 15th January 2025

Impact of the Settlement December 2024

Councillors will be aware that the Settlement figures are normally distributed to the Council in December and at the same time the Secretary of State makes his statement on local government funding for 2025/26 (referred to as 'the Statement' in this paper). The provisional Settlement was announced on the 18th December 2024.

Key elements of the Statement that impact on the budget position for 2025/26 are:

- Confirmation of provisional settlement figures for 2025/26, which were expected to align with those suggested in the 2024/25 Settlement.
- Continuation of New Homes Bonus
- Council Tax increase thresholds
- Any changes to Business Rate Baseline
- Information relating to additional funding streams.

Alongside the Settlement the government also published a technical consultation paper on:

- The provisional local government finance settlement 2025/26.

And also on:

- The Local Authority Funding Reforms Objectives and Principles

A Policy Statement (28 November 2024) had already announced the key principles that ministers applied in the provisional settlement.

The funding position for 2025/26 is a one-year settlement only.

The Provisional Settlement delivered larger increases in funding than were expected for the sector, however Ministers have made efforts to direct grant funding to authorities with higher levels of deprivation and less ability to generate income from Council Tax.

Within the Settlement a Recovery Grant of £600m was made available for distribution and this has been targeted at high need authorities. Blaby has received none of this grant funding. Other areas of increased funding prioritise Social Care and Children's preventative services both of which are upper tier functions and have not benefitted Blaby.

Within the Settlement there is also a scaling back of the Minimum Funding Guarantee and as a result of all of the above, Blaby's Government Funded Core Spending Power has actually decreased from that of 2024/25.

There is still substantial uncertainty surrounding how changes to Business Rate Retention and the Fair Funding Review will impact on Blaby in future years.

Members will recall that these changes were originally proposed to be put in place for 2020/21. It now seems certain that the Government will now implement its reforms in

2026/27 and are looking to address the 'unfairness' of the existing system and are proposing to utilise the same principles put forward by the previous government in 2018. A consultation paper has been published regarding the reforms and whilst it suggests that many of the same building blocks of the 2018 Consultation will be present, there is also suggestion that Ministers may depart from that Consultation particularly in how funding should be prioritised and distributed.

Whilst these changes will not therefore directly impact on the budget for 2025/26 the MTFS at Appendix E illustrates the impact this may have on the Council's finances in future years. It is with the future funding gaps that may arise from these changes that the Council needs to consider as we work towards the Council continuing to be financially sustainable into the future.

Throughout this document reference is made to the Settlement Statement within the relevant section to provide information to Members.

Total Budget Requirement

The proposed draft General Fund Revenue Account Net Budget Requirement for 2025/26 is **£15.775M**. The comparable Net Budget Requirement for 2024/25 that was approved in February 2024 was **£16.2M**.

It should be noted that funding of £913k will be received in 2025/26 from Defra relating to the Extended Producer Responsibility for Packaging. This is based on the Council's recycling collections and tonnages and passes the cost of collection onto those who produce the packaging. This funding has therefore considerably reduced the cost to the Council of providing the recycling collection to residents and contributes to the reduction in Net Budget Requirement for 2025/26.

The Government have excluded the Defra Funding from the calculation of Core Spending Power in 2025/26.

Budget Gap 2025/26

The Settlement continues the series of increases in Core Spending Power for Local Government that started in 2020/21. As suggested earlier in this paper, much of the increase continues to be directed towards the Upper Tier Authorities to fund social care but additional funding has been provided for those authorities where there are high levels of need/deprivation.

When taking into account the Settlement the funding gap for 2025/26 before any utilisation of reserves is **£610k** before planned utilisation of reserves which are presented later within this appendix.

Funding the Budget

The table overleaf illustrates how the budget is funded and how the grants provided in the Settlement have contributed to reducing the budget gap forecast in the Medium-Term Financial Strategy (MTFS).

Note that revenue income from services is netted off against the costs within the net budget requirement, so is not shown in the funding figures below. The economic climate continues to impact on some of the Council's revenue streams and is reflected in income levels for some service areas.

Sources of funding are as follows: -

	2024/25 Approved Budget £	2024/25 Revised Estimate £	2025/26 Proposed Budget £	Variance Compared to Approved Budget
Income from Business Rates	(3,387,423)	(3,762,727)	(5,429,170)	2,041,747
Contributions (from)/ To Business Rates Reserves	(290,204)	305,340	1,894,178	(2,184,382)
S31 Grant - Business Rates Compensation	(2,922,373)	(3,142,613)	(3,065,008)	142,635
Revenue Support Grant	(79,550)	(79,550)	(95,767)	16,217
New Homes Bonus Grant	(14,280)	(14,280)	(426,048)	411,768
Funding Guarantee	(2,245,863)	(2,245,863)	0	(2,245,863)
Funding Floor	0	0	(1,573,114)	1,573,114
Services Grant	(15,571)	(15,571)	0	(15,571)
Sub Total	(8,955,264)	(8,955,264)	(8,694,929)	(260,335)
Council Tax (Surplus)/Deficit	87,887	87,887	87,887	0
Council Tax Demand on Collection Fund	(6,526,402)	(6,526,402)	(6,557,973)	31,571
Funding Envelope	(15,393,779)	(15,393,779)	(15,165,015)	(228,764)

The table above illustrates that the Council's funding has remained fairly static, decreasing by £229k. It reflects a position comparable with funding in 2024/25 if an increase in Council Tax is also taken into account.

This is detailed as follows:

- Redistributed NNDR has been forecast at the moment to remain static with a positive out turn position that is being clarified currently. This may change as we are in the process of assessing the NNDR income which has become more complex following a number of recent changes to how the multiplier is applied across different sizes of business. There has been some growth this year with the prison coming on line and a number of appeals being finalised. Included in these figures is currently a contribution to the Business Rate Reserve of £1.89m. This is following a number of years where contributions from the Business Rate Reserve have been taken and assists in providing against the Business Rate Reset which is now expected to be brought in 2026/27.
- Revenue Support Grant £96k – represents no change in funding other than a small increase.
- Services Grant – No longer provided; reduced from £16k.
- Funding Guarantee – No longer provided - Replaced with Funding Floor Grant. £2.246m awarded in 2024/25 to Blaby. Designed to ensure each authority has an increase in core spending power of at least 3% in previous years.
- Funding Floor Grant – Awarded £1.573m. Reduction compared to Funding Guarantee awarded in 2024/25 takes into account an increase in funding for 2025/26 for New Homes Bonus and Council Tax raising ability which is now included in Core Spending Power calculations.

- New Homes Bonus (NHB) Grant £426k – an increase of £412k.
- Council Tax precept has increased by £32k. This is before any increase is applied but reflects the increase in the tax base (increase in properties) in the district.

Business Rates

Since the Localisation of Business Rates in 2013/14 local authorities have been in a position to benefit from a proportion of growth in business rates and Blaby has, like most councils, needed to release this growth to support the budget.

It continues to be difficult to forecast the growth within the budget figures in 2025/26. This is due to:

- New properties not being officially rated by the Valuation Office (VO) and estimates have been included.
- Estimating an allowance for the number of empty business properties that may arise.
- The ever-present risk that appeals put forward by businesses may impact unfavourably on the amount of income that Blaby is able to release.
- With the changes to Business Rates in the Settlement we are still awaiting the full impact of this to be reflected in the NNDR1 to give certainty of the figures. The NNDR1 will be completed by the end of January.

Blaby use advice from experts to understand the appeals that have been put forward and to make a provision for these appeals. Increasing the provision will reduce the amount of business rate income that can be retained.

Many of the appeals that had been provided for previously have now been finalised. Valuations have also been finalised on new properties such as the Fosse Way Prison. As such we've seen additional growth which has been reflected in the contribution to the Business Rate Reserve. Some of this income is of a one-off nature and will not continue to be retained by Blaby after the Baseline Reset. We are continuing to finalise these figures prior to the budget setting in February. The resetting of the Business Rate Baseline is expected to be brought in for 2026/27, it is therefore proposed to transfer the increased Business Rate Income to the Business Rate Reserve to support the budget in 2026/27 onwards.

The resetting of the Business Rate Baseline and the Business Rate Reforms are expected to come into force in 2026/27. This does not impact on 2025/26 financial year but will be a consideration for future years.

New Homes Bonus

The Council has continued to generate New Homes Bonus (NHB) from the increase in houses built in the district. Since 2013/14 the New Homes Bonus has been used to underpin the budget requirement as government funding has reduced. In 2025/26 an amount of only **£426k** is being utilised to fund services.

Initially NHB earned was paid for a period of 6 years and then in 2018/19 this was reduced to a further 4 years. Since 2020/21 the government have only paid NHB

earned for one year and payments of NHB have been expected to be phased out. 2022/23 was the last year that Blaby benefitted from a NHB legacy payment (£781k). At the height of NHB Funding Blaby utilised £2.9m funding within the 2019/20 Budget.

The Government have now committed to ending NHB in 2026/27. There is expected to be a consultation paper specifically around a replacement for the NHB in the first half of 2025.

Funding Guarantee Grant - Discontinued

Introduced in 2023/24 to ensure every authority had an increase in Core Spending Power (CSP) of at least 3%. Blaby was allocated **£2.14m** for 2024/25.

Funding Floor Grant

A replacement for the Funding Guarantee Grant introduced in 2025/26. Blaby has been allocated **£1.573m**. The reduced amount is reflective of the both the increase in NHB received in 2025/26 and the fact that Blaby is able to raise £190k if choosing to raise Council Tax by the maximum 2.99%.

Service Grant – Discontinued

Blaby was allocated £16k in 2024/25

Planned Utilisation of Reserve and Closing the Budget Gap

The budget gap arising for the 2025/26 Financial Year is **£610k** before any planned contributions are made from reserves.

Officers anticipating a budget gap have sought opportunities to reduce costs or ensure income from fees and charges reflect the costs to provide the service. These have all been included in the base budget figures that are presented within portfolio reports and contribute to reducing the budget gap to this level.

The proposed planned utilisation of reserves and the resulting gap/surplus is detailed below.

Note: the budget gap arising is before any Council Tax increase – the financial implications of a Council Tax increase are presented below.

Contribution to Property Fund Reserve

Income of **£45k** expected from the Property Fund Investment is proposed to be placed in the Property Fund Reserve to build up a reserve to provide for any devaluation of the Property Fund itself that may have to be recognised in the Income and Expenditure account.

Contribution from Contractual Losses Support Fund

As part of the support following the COVID pandemic funding was provided to compensate for reduced income from leisure contracts. It was necessary for Blaby to renegotiate the management fee in the contract arrangements with the leisure provider which spanned the remaining contract length. The proposed, planned release of this reserve over the remaining contract length is **£63,750** per annum.

Contribution from Blaby Plan Priorities Reserve

Proposed contribution from the Blaby Plan Priorities Reserve to support the Capital Grants Programme of **£54,500**. This reserve was provided to allow for future funding of initiatives that meet the priorities set out in the Blaby District Plan.

Contribution from Business Rate Pool Reserve

The Council, along with Leicestershire County Council, Leicester City Council, all Leicestershire District Councils and Leicester, Leicestershire, and Rutland Fire Authority since 2015/16 Pooled Business Rates under the Rates Retention Scheme. This has allowed additional monies raised through Business rates to be retained in the sub-region. The monies retained under the agreement have historically been distributed by the LLEP with applications submitted to fund projects to support economic growth and infrastructure connected to this as per the terms of the pooling agreement.

In recent years however, the distribution of the pooled monies has been revised to distribute across the participating Council's on an agreed basis with Pool members utilising their allocation to support "economic health and vibrancy of our communities".

The Council is in receipt of distributed Pool monies for the years 2020/21 to 2022/23; an amount of **£1.8m**. In the 2024/25 budget these funds supported the activity to support the Economic Development of the District through the funding of the Economic Development Team; an amount of £300k. Further investment is proposed in the Economic Development team and it is propose to utilise an element of the Business Rate Pool monies to support the department this year and in the future. An amount of **£413k** is proposed to be utilised from the Business Rate Pool Reserve for 2025/26.

Funds from the Business Rate Pool are anticipated to continue to be distributed under this mechanism up to and including the year 2024/25. It is anticipated that the Business Rate Base-line Reset and the Business Rate Reforms may cause the Pool to be disbanded.

Council Tax Increase

Members will be aware that over recent years there has been more of an expectation nationally that Council's will increase Council Tax as a mechanism for closing the financial gap. This year the calculation of the Council's Core Spending Power has assumed that each Council will increase the Council Tax levels. Council Tax increase threshold limits have remained static for District Council's in 2025/26.

For 2025/26 the threshold for Council Tax increases for “core” Band D Council Tax remains static with local authorities able to increase their Council Tax by up to 3% (2.99%) or £5 without triggering a referendum.

An increase of 2.99% would generate an additional amount of **£196k** which equates to an increase of £5.66 per annum. The Council Tax charge for Blaby would therefore be £194.79 for a Band D equivalent property.

The option to increase Council Tax by **£5** generates **£173k**; marginally less than the 2.99% increase. The Council Tax charge for Blaby would therefore be £194.14 for a Band D equivalent property.

For Shire County Councils threshold increases for ‘core’ Band D Council Tax has also remained unchanged, with an increase of up to 2.99% being allowed.

It is important to also note that within the Settlement those Authorities with responsibility for Adult Social Care, such as Leicestershire County Council, retain the additional flexibility to increase their current Council Tax referendum threshold by up to 2% on top of the core principle for an Adult Social Care precept.

The Leicestershire County Council proportion of the total Council Tax charge forms approx. 70% of the total charge (based on 2024/25).

Police and Crime Commissioners are able to increase their Council Tax precept by £14 and Fire & Rescue Authorities are limited to a referendum principle of no more than £5.

There is no council tax referendum limit for either mayoral combined authorities or town and parish councils.

Should all preceptors decide to increase Council Tax at the maximum levels (with Parish Councils increasing by the average amount based on 2024/25) the total annual increase on a band D property would be approximately £80.

Cumulative Impact of Council Tax increases

It is important to understand the cumulative impact of not increasing Council Tax. For a three-year period from 2011 the Council chose not to increase Council Tax but instead chose to be compensated with a Council Tax Freeze grant which the Council no longer benefit from. Had Council Tax been increased during that three year period the Council Tax income would today be higher by £781k.

Impact of proposed utilisation of reserves and Council Tax increase to close the budget gap:

	£
Budget Gap	609,923
Contribution to Property Fund Reserve	45,000
Contribution from Leisure Man't Contractual Lossess Support Reserve	(63,750)
Contribution from Business Rate Pool for ED function	(413,220)
Contribution from Blaby Priorities Reserve for Capital Grants Programme	(54,500)
Council Tax Increase	(196,085)
(Surplus)/Deficit	(72,632)

How the Budget has been formulated

The budget figures shown in the appendices providing more detail by portfolio are put together jointly by Finance officers working with service managers across the Council.

The substantial part of the costs is the establishment budget, i.e. the costs of employing staff which are then put alongside any other expenditure costs of running the service.

Where income is generated within a portfolio, officers have considered whether charges reflect the costs of delivering that service and if they are able to increase these charges. Inflationary increases will be applied where applicable.

It is important to note that some cases charges are set nationally and we are unable to alter the income received.

The income is netted off against the costs within each portfolio to give the net direct expenditure by each service area and each portfolio in total.

Each of the portfolio budget appendices highlight the capital expenditure for each portfolio and what it relates to. Where borrowing is required to fund the capital, costs have been included within the budget for interest. MRP charges will be built in from the year after delivery of the capital project. The full Capital Programme will be detailed within the Report to Council in February, detailing the forecast programme for a 5 year period. Appendix L

General Assumptions within Budget Requirement

- The establishment budget allows for an increase of 3% in establishment costs for 2025/26 within the services.

Staffing costs have been included for the introduction of food waste within the last months of the year. It is anticipated that transitional funding will be received to compensate for these costs of £209k. Should the funding provided not meet this cost there will be an additional burden on the budget.

The budget proposals for 2025/26 take into account the cost of employers' national insurance and pension contributions, contractual increments, and the Apprenticeship Levy. (More detail relating to this point is included within the report "Establishment 2024/25 2025/26" to be presented to Cabinet Executive on 13th January 2024).

Members will be aware that contribution rates and thresholds for 2025/26 have been announced and, therefore, contributions have been included in the budget at the new proposed rate of 15% with the revised thresholds from April 2025. The increase of 1.2% year on year and reduction in threshold leads to additional costs of £345,000 which could be partly or fully reimbursed. Clarity is still being sought as to what reimbursement will be made to the Council regarding this additional cost. We have included what is believed to be the worst-case scenario of £117,000 reimbursement in the budget.

- Planning appeals are not included within the budget requirement, but expenditure will be funded from balances if it is necessary.

- Portfolio figures are shown before any recharges from department to department in order that the spending service is scrutinised rather than the method of apportionment across departments.

Financial Budget Summary

Budget Summary by Portfolio	2024/25	2024/25	2025/26
	Approved	Revised	Proposed
	Budget	Estimate	Budget
	£	£	£
Finance, People & Performance	3,504,581	3,473,600	3,740,117
Housing, Community Safety & Environmental Services	2,286,511	2,688,845	2,447,342
Health, Leisure, Climate and Economic Development	(62,982)	781,658	7,208
Leader	2,410,477	2,594,890	2,635,151
Neighbourhood Services & Assets	3,672,637	4,022,818	3,194,122
Planning, Transformation and ICT	3,047,156	3,073,267	2,575,055
	14,858,380	16,635,078	14,598,996
	14,858,380	16,635,078	14,598,996
Revenue Contributions towards Capital Expenditure	94,315	254,126	54,500
Minimum Revenue Provision	748,865	748,865	977,852
Voluntary Revenue Provision	300,000	300,000	250,000
Other Appropriations & Accounting Adjustments	205,390	(637,291)	(106,410)
Net Total Expenditure	16,206,950	17,300,778	15,774,938
Contribution to/(from) Earmarked Reserves	(349,315)	(2,043,363)	
Contribution to/(from) General Fund Balances	(463,856)	136,364	
Net Budget Requirement	15,393,779	15,393,779	15,774,938
Income from Business Rates	(3,387,423)	(3,762,727)	(5,429,170)
Contributions (from)/ To Business Rates Reserves	(290,204)	305,340	1,894,178
S31 Grant - Business Rates Compensation	(2,922,373)	(3,142,613)	(3,065,008)
Revenue Support Grant	(79,550)	(79,550)	(95,767)
New Homes Bonus Grant	(14,280)	(14,280)	(426,048)
Funding Guarantee	(2,245,863)	(2,245,863)	0
Funding Floor	0	0	(1,573,114)
Services Grant	(15,571)	(15,571)	0
Council Tax (Surplus)/Deficit	87,887	87,887	87,887
Council Tax Demand on Collection Fund	(6,526,402)	(6,526,402)	(6,557,973)
Funding Envelope	(15,393,779)	(15,393,779)	(15,165,015)
Funding Gap/(Surplus) before any contributions from reserves or Council Tax Increase			609,923